

**REMARKS**

Claims 1-36 are pending. Claims 1-5 and 12 were amended to clarify an inherent feature of the present invention. Withdrawal of all objections and rejections are respectfully requested for at least the reasons set forth below.

***Examiner Interview***

Applicant wishes to thank Examiner Karmis and Primary Examiner Hani Kazimi Wallerson for extending the courtesy of a telephone interview in respect to this application on January 21, 2004 with Applicant and Applicants' undersigned representative. During the interview, a previously faxed Draft Response and one newly discovered prior art reference (Associates v. Home Life Insurance Co.) was discussed. With respect to the rejections under 35 U.S.C. § 102(e) and § 103, the Examiner stated that the remarks were persuasive in overcoming the rejections and that the currently pending rejections will be withdrawn in the next Office Action. The arguments below which were presented in the draft Response are repeated below and are unchanged from the draft Response.

During the interview, Examiner Kazimi stated that claim 1 in the draft Response (which had no claim amendments) appeared indefinite because the plan referred to in the preamble is not explicitly recited as being created. In response, independent claims 1-5 and 12 were amended to explicitly recite that the plan referred to in the preamble includes the previously recited policy and the separate agreement. Independent claims 19-23 and 30 already recite this feature and thus were not amended.

Lastly, Applicant and Applicants' undersigned representative briefly discussed the Associates v. Home Life Insurance Co. reference and highlighted the differences between this reference and the claimed invention.

***Prior Art Rejections***

Claims 1-6, 8-9, 11-13, 15-16, 18-24, 26-27, 29-31, 33-34 and 36 were rejected under 35 U.S.C. § 102(e) as allegedly being clearly anticipated by U.S. Patent No. 6,411,939 (Parsons).

Claims 7, 14, 25 and 32 were rejected under 35 U.S.C. § 103(a) as allegedly being unpatentable over Parsons in view of U.S. Patent No. 5,996,693 (Burgess).

1. Present invention

A defined benefit pension plan, such as a plan described in Internal Revenue Code Section 412(i), is created using variable life insurance contracts and/or variable annuity contracts. Actuarial data used to create the defined benefit pension plan is entered via at least one user interface and processed. Based on the actuarial data, a variable life insurance policy and/or a variable annuity policy is generated for the purpose of funding the defined benefit pension plan. Additionally, a separate agreement is created that either extra-contractually modifies the variable life insurance policy and/or the variable annuity policy, or defines the terms under which the variable life insurance policy and/or the variable annuity policy is to be used in the defined benefit pension plan. Thus, a mechanism is provided to avoid violation of the Internal Revenue Service "incidental benefit rule" and to provide a guaranteed rate of return such that the variable life insurance contracts and/or the variable annuity contracts can be used in a plan described in a retirement plan, including a plan described in Code section 412(i).

Prior to the present invention, it was not known how such plans and policies funding such plans could be modified to use variable life insurance products and/or variable annuities where the plans required or desired a guaranteed benefit at normal retirement age. The present invention accomplishes this goal by describing a novel and unobvious business process by which specific modifications are made to the policies and plan, thus creating new modified policies and plans.

2. Parsons

Parsons discloses a process for illustrating a replacement of a benefit plan. The process operates in the following manner:

1. Information is entered that defines a benefit plan that is viable at one location but not viable at a replacement plan location.

2. Using the entered information, characteristics are formulated for a replacement of the benefit plan that is viable at the replacement plan location.

3. An illustration of the benefit plan replacement is provided at an output device.

An "illustration" is merely an estimate of how much a particular investment may be worth in the future. For example, a policy or plan illustration for a life insurance policy shows how it may perform. Specifically, it may show premiums, death benefits, cash values, and information about other factors that may affect the costs. Policy illustrations are based on current assumptions and may vary from actual performance as conditions change over time. For example, page 4 of the "Leveraged Benefit Plan" shown in the attached Appendix<sup>1</sup> is an Illustration. Table II on columns 13-14 of Burgess shows an illustration of an integrated life insurance policy and loan agreement.

An illustration is not an actual plan. Thus, no plan at all is created in Parsons. The purpose of Parsons is to compare its leveraged non-qualified plan to a regular qualified plan, such as a Section 412(i) qualified plan or a 401(k) plan. The illustration is used for this purpose. Nowhere does Parsons describe actually creating a plan. To illustrate a plan that is competitive to these other types of plans, Parsons prompts the user to enter an assumed rate of return for a current benefit plan, such as a defined benefit pension plan. See, for example, column 17, lines 22-32 of Parsons which reads as follows:

Block 152 receives input from the participants' data of the assumed rate of return for the current benefit plan. The rate of return is either the actual historical life of plan rate of return or an assumed rate of return provided by either the participant or the plan sponsor. Where a current plan does not exist, the participant or plan sponsor will provide an assumed rate of return. For example, if a participant's 401 (k) has yielded an average annual total return of 10%, then 10% will be entered. Comparatively, if a defined benefit pension plan benefit is projected using an actuarial calculation based on an 8% rate of return, the 8% is entered. (underlining added for emphasis)

---

<sup>1</sup> "A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872)," InsMark, Inc., printout from web site: <http://www.insmark.com/ProductCenter/7872/PDFs/LBP1.pdf>, printout date: January 13, 2004, report written March 1, 2002, 12 pages.

However, Parsons' illustration is not for a "defined benefit pension plan" even though it may attempt to illustrate a plan that at least matches the rate of return of a particular defined benefit pension plan.

In contrast to Parsons, the present invention creates an actual plan, specifically, a "defined benefit pension plan," as well as a life insurance or annuity policy to fund the plan.

Parsons also discloses the use of a "separate agreement" in column 19, line 66 through column 20, line 19, which reads as follows:

As an example of the plans [sic] operation, a participant is selected for an expatriate assignment, and the plan sponsor negotiates with the participant to determine the allowances and incentives that are needed and those that the participant can forgo. Assume the negotiation is settled with the participant forgoing a portion of several allowances totaling \$30,000.00, which saves the plan sponsor an addition \$20,000.00 of tax and gross-ups. The plan sponsor may then decide to share the savings with the participant by entering a separate agreement with the participant to pay a \$25,000.00 benefit with earnings at a date in the future. The distribution date can vary as mutually agreed by the plan sponsor and the participant, but would be expected to be between five and twenty years. The benefit would be subject to risk of forfeiture or vesting until distribution depending upon the plan design. In addition, another replacement plan can be used as an incentive plan in lieu of the typical arrangement. For example, the plan sponsor may implement a "severance plan" instead of the incentive plan and use the cost savings to fund that plan for the benefit of the participant. (underlining added for emphasis)

The benefit plan replacement illustrated in Parsons is not extra-contractually modified by the separate agreement. Nor does the separate agreement define any terms of the illustrated benefit plan replacement. That is, the benefit plan replacement illustration does not change in any manner as a result of the separate agreement. Nor would it even make any sense to do so, since the illustration is not even an actual plan, and thus there is no plan to modify or define terms for. This is in contrast to the present invention wherein the separate agreement either extra-contractually modifies an actual selected policy or a variable annuity or life insurance policy, or defines the terms under which an actual selected policy or variable annuity or life insurance policy is to be used in a defined benefit pension plan. Accordingly, Parsons fails to disclose or suggest a fundamental feature of the present invention.

3. Burgess

Burgess discloses a scheme for combining a loan with a key employee life insurance plan. Burgess also has no disclosure or suggestion of a separate agreement that either extra-contractually modifies the plan, or defines the terms under which the plan is to be used. Accordingly, Burgess fails to make up for the deficiencies in Parsons highlighted above.

4. Patentability of independent claims 1-5, 12, 19-23 and 30

Each of the independent claims recite in clauses (a) and (b) creating a defined benefit pension plan, as well as a life insurance or annuity policy to fund the plan. As described above, Parsons does not perform this function. The Examiner's statement in the Office Action that Parsons discloses a "method for creating a defined benefit pension plan" is thus incorrect.

Each of these independent claims also recite in clause (b) or (c) either:

electronically generating a separate agreement that extra-contractually modifies a selected policy or a variable annuity or life insurance policy; or

electronically generating a separate agreement that defines the terms under which a selected policy or variable annuity or life insurance policy is to be used in a defined benefit pension plan.

As described above, the separate agreement in Parsons does not perform this function. The Examiner's statement in the Office Action that Parsons discloses "generating a separate agreement [that] extra-contractually modifies the variable life insurance policy and defines terms of the agreement" is also incorrect.

Accordingly, none of the elements or steps (a), (b) or (c) in any of the independent claims are disclosed or suggested by Parsons.

5. Patentability of Dependent Claims 6-11, 13-18, 24-29 and 31-36

The dependent claims are believed to be allowable because they depend upon respective allowable independent claims, and because they recite additional patentable steps and elements. Since Burgess fails to make up for the deficiencies in Parsons highlighted above, the dependent

claims rejected over the combination of Parsons and Burgess are also believed to be patentable over these references.

*Conclusion*

Insofar as the Examiner's rejections were fully addressed, the instant application is in condition for allowance. Issuance of a Notice of Allowability of all pending claims is therefore earnestly solicited.

Respectfully submitted,

JOHN J. KORESKO V

January 22, 2004  
(Date)

Clark Jablon  
CLARK A. JABLON  
Attorney for Applicant  
Registration No. 35,039  
Direct Dial: (215) 965-1293  
E-Mail: [cjablon@akingump.com](mailto:cjablon@akingump.com)

Akin Gump Strauss Hauer & Feld LLP  
One Commerce Square  
2005 Market Street, Suite 2200  
Philadelphia, PA 19103  
Telephone No.: 215-965-1200  
Fax No.: 215-965-1210

CAJ:vlb  
Enclosure

# APPENDIX

to Amendment

## A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872)

This plan is an executive fringe benefit arrangement involving a series of employer-sponsored loans to a valued executive for the purpose of purchasing a cash value life insurance policy. The plan is designed to operate within the IRC Section 7872 safe harbor of IRS Notice 2002-8.

**Promissory Notes:** The loans associated with the plan are evidenced by a series of promissory notes between the employer and the executive, and the life insurance policy is assigned as collateral security for the loans. The loans are term loans, i.e., they are due at the end of a specific period of years; however, the promissory note calls for the acceleration of repayment should the executive die prior to the date of scheduled loan repayments.

**Loan Interest:** The interest rate for the life of each loan is set at least to the long-term rate in effect at the beginning of the loan under IRC Section 7872 (often referred to as the "Applicable Federal Rate" or "AFR"). As an additional benefit in some plans, the employer will help offset the executive's loan interest payments via a bonus.

Under Sec. 7872, if no interest or an inadequate rate of interest is charged on a loan, the IRS recharacterizes the loan into an "arms-length" transaction and imputes an interest rate that is deemed to have been received by the lender and paid by the borrower. The rate is published monthly and is determined by the length of the loan transaction, i.e., either the short-term rate (less than 3 years), the mid-term rate (over 3 years but not over 9 years), or the long-term rate (over 9 years).

So long as the loan interest rate is equal to or exceeds the applicable Section 7872 interest rate, no further interest is imputed by the IRS on the transaction. In the accompanying material, the loan interest rate is set to 6.50% which exceeds the long-term Section 7872 rate of 5.48% in effect for the month in which this report is written (March 2002).

Although the long-term Section 7872 rate in effect for the month in which this report is written is 5.48%, for illustrative purposes the accompanying material shows a constant 6.50% loan interest rate. In the future, the minimum required loan interest rate for each new loan will likely be different, and the loan interest rate for each new loan should be equal to or exceed the applicable Sec. 7872 interest rate in effect when each new loan is made. In addition, each new loan should be evidenced by a separate promissory note.

There are four ways to deal with unknown future Sec. 7872 loan interest rates that may exceed 6.50%:

1. If a bonus is paid to the executive to offset the loan interest, accept the risk: This may increase or decrease the amount of the bonus; however, the loan interest paid to the employer by the executive should provide a full or partial offset, as the case may be.

2. Accrue additional loan interest: If the loan interest rate increases, the executive could be allowed to accrue the additional loan interest. Alternatively, the executive could withdraw funds from the policy to make up the difference in the loan interest due.
3. Recast the loan: Wait until a time when the Sec.7872 rate dips and recast the series of promissory notes into a new note at the reduced rate.
4. Consolidate all loans at the inception of the plan: In this case, the loaned funds in excess of those needed to pay the policy's initial premium should be reserved by the executive to pay the remaining stream of premiums as they fall due. In this case, the employer may wish to consider requiring some form of custodianship for the reserved funds to be certain they are used for the intended purpose.

**Policy Loans:** As owner of the policy, the executive can borrow that portion of policy cash values in excess of the amount required to collateralize the loan. These loans are typically used to supplement retirement income and, in some cases, are used as a source of funds for loan interest payments or loan repayment.

Note: Policy loans reduce cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult your professional tax adviser if you have any questions about this issue.

#### **Important Note**

This report and the accompanying material are not a substitute for advice from legal and tax advisers of all participants, and the accompanying plan, or any variation thereof, should not be utilized without their specific review and approval.

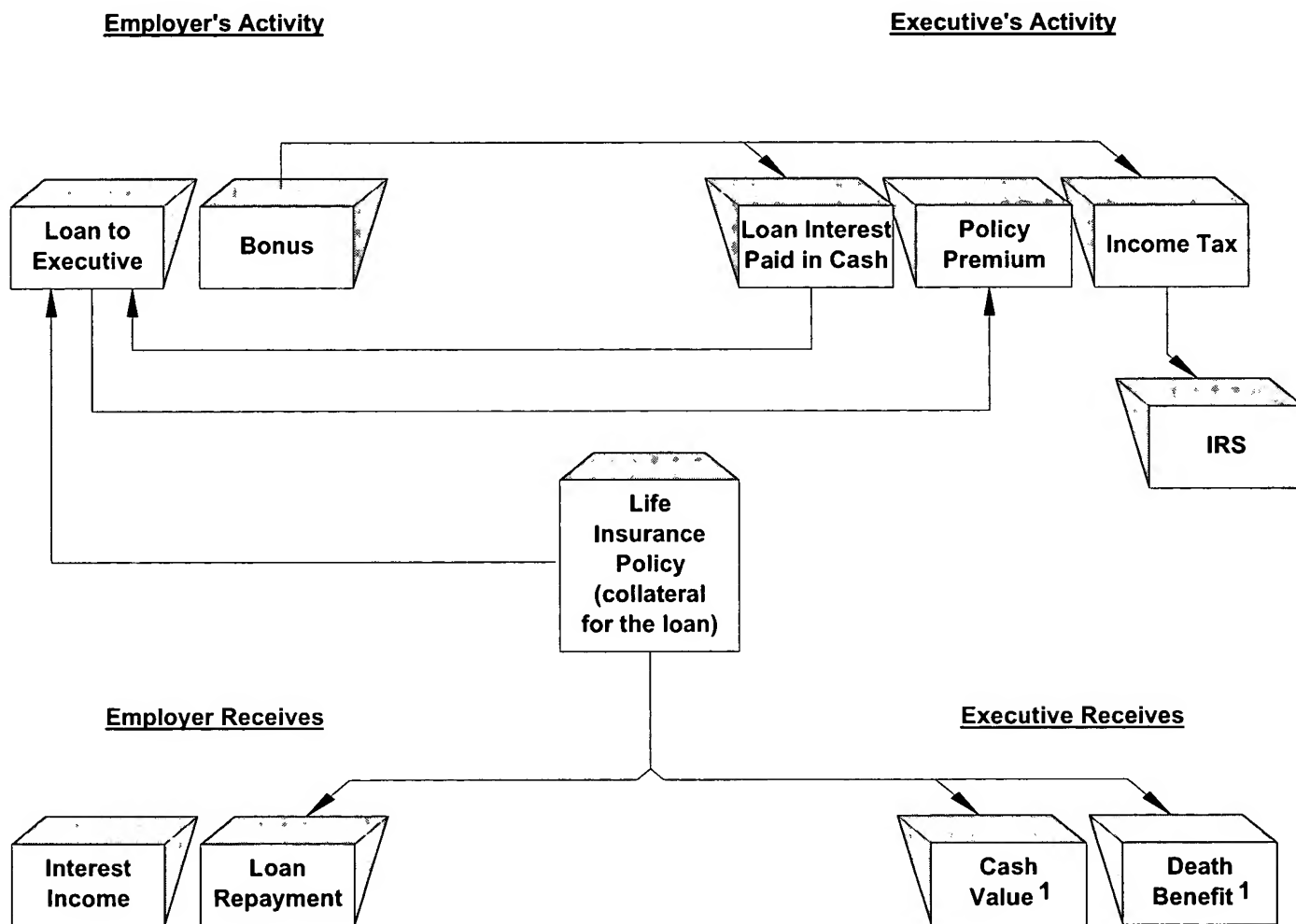


# A Leveraged Benefit Plan Guidelines From IRC Section Funded With Variable Universal Life (VUL)

Presented By: [Licensed user's name appears here]

For: Frank Contini

## Flow Chart Analysis



(1) Less cumulative loan due Employer.

# A Leveraged Benefit Plan Using Variable Universal Life (VUL)

## Illustration of Values Of The Policy Used in the Plan

Values Page: 1  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45 | VUL<br>Interest Rate<br>10.00% | Initial<br>Payment<br>100,000 | Initial Policy<br>Death Benefit<br>2,500,000 |                  |  |
|------|-----|-------------------|--------------------------------|-------------------------------|--|------------------|--|
|      |     | (1)               | (2)                            | (3)                           | (4)  | (5)              |  |
| Year | Age | Policy<br>Premium | Pre-Tax<br>Policy<br>Cash Flow | Year End<br>Accum<br>Value*   | Year End<br>Cash<br>Value*                   | Death<br>Benefit |  |
| 1    | 45  | 100,000           | 0                              | 101,714                       | 66,714                                       | 2,500,000        |  |
| 2    | 46  | 100,000           | 0                              | 212,346                       | 142,346                                      | 2,500,000        |  |
| 3    | 47  | 100,000           | 0                              | 332,215                       | 257,715                                      | 2,500,000        |  |
| 4    | 48  | 100,000           | 0                              | 462,138                       | 387,638                                      | 2,500,000        |  |
| 5    | 49  | 100,000           | 0                              | 603,023                       | 528,523                                      | 2,500,000        |  |
| 6    | 50  | 0                 | 0                              | 646,994                       | 576,219                                      | 2,500,000        |  |
| 7    | 51  | 0                 | 0                              | 694,192                       | 627,887                                      | 2,500,000        |  |
| 8    | 52  | 0                 | 0                              | 744,896                       | 683,806                                      | 2,500,000        |  |
| 9    | 53  | 0                 | 0                              | 799,374                       | 744,244                                      | 2,500,000        |  |
| 10   | 54  | 0                 | 0                              | 857,934                       | 809,509                                      | 2,500,000        |  |
| 11   | 55  | 0                 | 0                              | 920,944                       | 879,969                                      | 2,500,000        |  |
| 12   | 56  | 0                 | 0                              | 988,800                       | 956,020                                      | 2,500,000        |  |
| 13   | 57  | 0                 | 0                              | 1,061,919                     | 1,038,079                                    | 2,500,000        |  |
| 14   | 58  | 0                 | 0                              | 1,140,815                     | 1,126,660                                    | 2,500,000        |  |
| 15   | 59  | 0                 | 0                              | 1,226,058                     | 1,226,058                                    | 2,500,000        |  |
| 20   | 64  | 0                 | 0                              | 1,773,121                     | 1,773,121                                    | 2,500,000        |  |
| 25   | 69  | 0                 | 0                              | 2,615,007                     | 2,615,007                                    | 3,033,409        |  |
| 30   | 74  | 0                 | 0                              | 3,874,395                     | 3,874,395                                    | 4,145,602        |  |
| 35   | 79  | 0                 | 0                              | 5,764,046                     | 5,764,046                                    | 6,052,248        |  |
| 40   | 84  | 0                 | 0                              | 8,521,998                     | 8,521,998                                    | 8,948,098        |  |
|      |     | 500,000           | 0                              |                               |  |                  |  |

### 40 Year Summary

\*This is an example of an InsMark "supplemental" illustration for variable universal life insurance. In a real presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

|                               |           |
|-------------------------------|-----------|
| Cum. Payments                 | 500,000   |
| Cum. Pre-Tax Policy Cash Flow | 0         |
| Cash value                    | 8,521,998 |
| Death Benefit                 | 8,948,098 |

## Summary of Costs and Benefits

### A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Summary Page: 1  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45   | Employer's<br>Tax Bracket<br>34.00%             | Executive's<br>Tax Bracket<br>35.00%                     | VUL<br>Interest Rate<br>10.00%                   | Initial Policy<br>Death Benefit<br>2,500,000     |                 |                |                  |
|------|-----|---|---|--|--|--|-----------------|----------------|------------------|
|      |     | Employer's Plan Payments,<br>Loan Receivable, and Cumulative Charge to Earnings |   |  |  | Executive's Plan Payments<br>and Loan Collateral |                 |                |                  |
| Year | Age | (1)   | (2)   | (3)  | (4)  | (5)  | (6)             | (7)            | (8)              |
|      |     | Net<br>Payment<br>to the<br>Plan  | Cumulative<br>Net<br>Payments<br>to the<br>Plan | Portion of<br>Col. (2)<br>Due as a<br>Loan<br>Receivable | Cumulative<br>Charge to<br>Earnings<br>(2) - (3) | Net<br>Payment<br>to the<br>Plan                 | Loan Collateral |                |                  |
|      |     |   |   |  |  |  | Accum<br>Value* | Cash<br>Value* | Death<br>Benefit |
| 1    | 45  | 102,310   | 102,310   | 100,000  | 2,310  | 0  | 101,714         | 66,714         | 2,500,000        |
| 2    | 46  | 104,620   | 206,930   | 200,000  | 6,930  | 0  | 212,346         | 142,346        | 2,500,000        |
| 3    | 47  | 106,930   | 313,860   | 300,000  | 13,860   | 0  | 332,215         | 257,715        | 2,500,000        |
| 4    | 48  | 109,240   | 423,100   | 400,000  | 23,100   | 0  | 462,138         | 387,638        | 2,500,000        |
| 5    | 49  | 111,550   | 534,650   | 500,000  | 34,650   | 0  | 603,023         | 528,523        | 2,500,000        |
| 6    | 50  | 11,550  | 546,200   | 500,000  | 46,200   | 0  | 646,994         | 576,219        | 2,500,000        |
| 7    | 51  | 11,550  | 557,750   | 500,000  | 57,750   | 0  | 694,192         | 627,887        | 2,500,000        |
| 8    | 52  | 11,550  | 569,300   | 500,000  | 69,300   | 0  | 744,896         | 683,806        | 2,500,000        |
| 9    | 53  | 11,550  | 580,850   | 500,000  | 80,850   | 0  | 799,374         | 744,244        | 2,500,000        |
| 10   | 54  | 11,550  | 592,400   | 500,000  | 92,400   | 0  | 857,934         | 809,509        | 2,500,000        |
| 11   | 55  | 11,550  | 603,950   | 500,000  | 103,950  | 0  | 920,944         | 879,969        | 2,500,000        |
| 12   | 56  | 11,550  | 615,500   | 500,000  | 115,500  | 0  | 988,800         | 956,020        | 2,500,000        |
| 13   | 57  | 11,550  | 627,050   | 500,000  | 127,050  | 0  | 1,061,919       | 1,038,079      | 2,500,000        |
| 14   | 58  | 11,550  | 638,600   | 500,000  | 138,600  | 0  | 1,140,815       | 1,126,660      | 2,500,000        |
| 15   | 59  | 11,550  | 650,150   | 500,000  | 150,150  | 0  | 1,226,058       | 1,226,058      | 2,500,000        |
| 16   | 60  | 11,550  | 661,700   | 500,000  | 161,700  | 0  | 1,318,255       | 1,318,255      | 2,500,000        |
| 17   | 61  | 11,550  | 673,250   | 500,000  | 173,250  | 0  | 1,418,159       | 1,418,159      | 2,500,000        |
| 18   | 62  | 11,550  | 684,800   | 500,000  | 184,800  | 0  | 1,526,610       | 1,526,610      | 2,500,000        |
| 19   | 63  | 11,550  | 696,350   | 500,000  | 196,350  | 0  | 1,644,559       | 1,644,559      | 2,500,000        |
| 20   | 64  | 11,550  | 707,900   | 500,000  | 207,900  | 0  | 1,773,121       | 1,773,121      | 2,500,000        |
|      |     | 707,900   |   |  |  | 0  |                 |                |                  |

#### Executive's 20 Year Summary

|                                   | Living Values | Death Benefit |
|-----------------------------------|---------------|---------------|
| Variable Universal Life (VUL):    | 1,773,121     | 2,500,000     |
| Less Loan Repayment Due Employer: | 500,000       | 500,000       |
| Equals Executive's Net Value:     | 1,273,121     | 2,000,000     |

\*This is an example of an InsMark "supplemental" illustration for variable universal life insurance. In a real presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

## Summary of Costs and Benefits

### A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Summary Page: 2  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45   | Employer's<br>Tax Bracket<br>34.00%                    | Executive's<br>Tax Bracket<br>35.00%                            | VUL<br>Interest Rate<br>10.00%                          | Initial Policy<br>Death Benefit<br>2,500,000     |                 |                |                  |
|------|-----|---|--|---|---|--|-----------------|----------------|------------------|
|      |     | Employer's Plan Payments,<br>Loan Receivable, and Cumulative Charge to Earnings |  |   |   | Executive's Plan Payments<br>and Loan Collateral |                 |                |                  |
| Year | Age | (1)<br>Net<br>Payment<br>to the<br>Plan   | (2)<br>Cumulative<br>Net<br>Payments<br>to the<br>Plan | (3)<br>Portion of<br>Col. (2)<br>Due as a<br>Loan<br>Receivable | (4)<br>Cumulative<br>Charge to<br>Earnings<br>(2) - (3) | (5)<br>Net<br>Payment<br>to the<br>Plan          | Loan Collateral |                |                  |
|      |     |   |  |   |   |  | Accum<br>Value* | Cash<br>Value* | Death<br>Benefit |
| 21   | 65  | 11,550  | 719,450  | 500,000   | 219,450   | 0  | 1,913,603       | 1,913,603      | 2,500,000        |
| 22   | 66  | 11,550  | 731,000  | 500,000   | 231,000   | 0  | 2,067,528       | 2,067,528      | 2,500,000        |
| 23   | 67  | 11,550  | 742,550  | 500,000   | 242,550   | 0  | 2,236,164       | 2,236,164      | 2,638,673        |
| 24   | 68  | 11,550  | 754,100  | 500,000   | 254,100   | 0  | 2,418,300       | 2,418,300      | 2,829,411        |
| 25   | 69  | 11,550  | 765,650  | 500,000   | 265,650   | 0  | 2,615,007       | 2,615,007      | 3,033,409        |
| 26   | 70  | 11,550  | 777,200  | 500,000   | 277,200   | 0  | 2,827,461       | 2,827,461      | 3,251,581        |
| 27   | 71  | 11,550  | 788,750  | 500,000   | 288,750   | 0  | 3,057,736       | 3,057,736      | 3,455,242        |
| 28   | 72  | 11,550  | 800,300  | 500,000   | 300,300   | 0  | 3,307,592       | 3,307,592      | 3,671,427        |
| 29   | 73  | 11,550  | 811,850  | 500,000   | 311,850   | 0  | 3,579,041       | 3,579,041      | 3,901,155        |
| 30   | 74  | 11,550  | 823,400  | 500,000   | 323,400   | 0  | 3,874,395       | 3,874,395      | 4,145,602        |
| 31   | 75  | 11,550  | 834,950  | 500,000   | 334,950   | 0  | 4,196,334       | 4,196,333      | 4,406,151        |
| 32   | 76  | 11,550  | 846,500  | 500,000   | 346,500   | 0  | 4,544,260       | 4,544,260      | 4,771,473        |
| 33   | 77  | 11,550  | 858,050  | 500,000   | 358,050   | 0  | 4,920,122       | 4,920,122      | 5,166,128        |
| 34   | 78  | 11,550  | 869,600  | 500,000   | 369,600   | 0  | 5,325,987       | 5,325,987      | 5,592,287        |
| 35   | 79  | 11,550  | 881,150  | 500,000   | 381,150   | 0  | 5,764,046       | 5,764,046      | 6,052,248        |
| 36   | 80  | 11,550  | 892,700  | 500,000   | 392,700   | 0  | 6,236,609       | 6,236,609      | 6,548,440        |
| 37   | 81  | 11,550  | 904,250  | 500,000   | 404,250   | 0  | 6,746,095       | 6,746,095      | 7,083,400        |
| 38   | 82  | 11,550  | 915,800  | 500,000   | 415,800   | 0  | 7,295,046       | 7,295,046      | 7,659,798        |
| 39   | 83  | 11,550  | 927,350  | 500,000   | 427,350   | 0  | 7,886,100       | 7,886,100      | 8,280,405        |
| 40   | 84  | 11,550  | 938,900  | 500,000   | 438,900   | 0  | 8,521,998       | 8,521,998      | 8,948,098        |
|      |     | 938,900   |  |   |   | 0  |                 |                |                  |

#### Executive's 40 Year Summary

\*This is an example of an InsMark "supplemental" illustration for variable universal life insurance. In a real presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

|                                   | Living Values | Death Benefit |
|-----------------------------------|---------------|---------------|
| Variable Universal Life (VUL):    | 8,521,998     | 8,948,098     |
| Less Loan Repayment Due Employer: | 500,000       | 500,000       |
| Equals Executive's Net Value:     | 8,021,998     | 8,448,098     |

# Employer's Net Payment Analysis

## A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Employer's Page: 1  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45                            | Employer's<br>Tax Bracket<br>34.00% | IRC Sec. 7872<br>Long Term Rate<br>5.48%*                     | Promissory Note<br>Interest Rate<br>6.50%                      |                               |   |   |  |   |
|------|-----|--|-------------------------------------|---|--|-------------------------------|---|---|--|---|
|      |     | (1)  | (2)                                 | (3)   | (4)  | (5)                           | (6)   | (7)   | (8)  | (9)   |
| Year | Age | Beginning<br>of Year<br>Loan to<br>Executive | Outstanding<br>Loan to<br>Executive | Year End<br>Loan<br>Interest<br>Received<br>from<br>Executive | After Tax<br>Loan<br>Interest<br>Received<br>from<br>Executive | Bonus<br>Paid to<br>Executive | After Tax<br>Cost of<br>Bonus<br>Paid to<br>Executive | Employer's<br>Net<br>Payment<br>to the<br>Plan<br>(1) - (4) + (6) | Employer's<br>Annual<br>Charge to<br>Earnings<br>(6) - (4) | Employer's<br>Cumulative<br>Charge to<br>Earnings |
| 1    | 45  | 100,000                                      | 100,000                             | 6,500   | 4,290  | 10,000                        | 6,600   | 102,310   | 2,310  | 2,310   |
| 2    | 46  | 100,000                                      | 200,000                             | 13,000  | 8,580  | 20,000                        | 13,200  | 104,620   | 4,620  | 6,930   |
| 3    | 47  | 100,000                                      | 300,000                             | 19,500  | 12,870   | 30,000                        | 19,800  | 106,930   | 6,930  | 13,860  |
| 4    | 48  | 100,000                                      | 400,000                             | 26,000  | 17,160   | 40,000                        | 26,400  | 109,240   | 9,240  | 23,100  |
| 5    | 49  | 100,000                                      | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 111,550   | 11,550   | 34,650  |
| 6    | 50  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 46,200  |
| 7    | 51  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 57,750  |
| 8    | 52  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 69,300  |
| 9    | 53  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 80,850  |
| 10   | 54  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 92,400  |
| 11   | 55  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 103,950   |
| 12   | 56  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 115,500   |
| 13   | 57  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 127,050   |
| 14   | 58  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 138,600   |
| 15   | 59  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 150,150   |
| 16   | 60  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 161,700   |
| 17   | 61  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 173,250   |
| 18   | 62  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 184,800   |
| 19   | 63  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 196,350   |
| 20   | 64  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 207,900   |
|      |     | 500,000                                      |                                     | 585,000   | 386,100  | 900,000                       | 594,000   | 707,900   | 207,900  |   |

\*As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

## Employer's Net Payment Analysis

### A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Employer's Page: 2  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45                            | Employer's<br>Tax Bracket<br>34.00% | IRC Sec. 7872<br>Long Term Rate<br>5.48%*                     | Promissory Note<br>Interest Rate<br>6.50%                      |                               |   |   |  |   |
|------|-----|--|-------------------------------------|---|--|-------------------------------|---|---|--|---|
|      |     | (1)  | (2)                                 | (3)   | (4)  | (5)                           | (6)   | (7)   | (8)  | (9)   |
|      |     | Beginning<br>of Year<br>Loan to<br>Executive | Outstanding<br>Loan to<br>Executive | Year End<br>Loan<br>Interest<br>Received<br>from<br>Executive | After Tax<br>Loan<br>Interest<br>Received<br>from<br>Executive | Bonus<br>Paid to<br>Executive | After Tax<br>Cost of<br>Bonus<br>Paid to<br>Executive | Employer's<br>Net<br>Payment<br>to the<br>Plan<br>(1) - (4) + (6) | Employer's<br>Annual<br>Charge to<br>Earnings<br>(6) - (4) | Employer's<br>Cumulative<br>Charge to<br>Earnings |
| Year | Age |  |                                     |   |  |                               |   |   |  |   |
| 21   | 65  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 219,450   |
| 22   | 66  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 231,000   |
| 23   | 67  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 242,550   |
| 24   | 68  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 254,100   |
| 25   | 69  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 265,650   |
| 26   | 70  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 277,200   |
| 27   | 71  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 288,750   |
| 28   | 72  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 300,300   |
| 29   | 73  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 311,850   |
| 30   | 74  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 323,400   |
| 31   | 75  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 334,950   |
| 32   | 76  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 346,500   |
| 33   | 77  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 358,050   |
| 34   | 78  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 369,600   |
| 35   | 79  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 381,150   |
| 36   | 80  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 392,700   |
| 37   | 81  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 404,250   |
| 38   | 82  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 415,800   |
| 39   | 83  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 427,350   |
| 40   | 84  | 0  | 500,000                             | 32,500  | 21,450   | 50,000                        | 33,000  | 11,550  | 11,550   | 438,900   |
|      |     | 500,000                                      |                                     | 1,235,000   | 815,100  | 1,900,000                     | 1,254,000   | 938,900   | 438,900  |   |

\*As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

## Executive's Net Payment Analysis

### A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Executive's Page: 1  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45                               | Executive's<br>Tax Bracket<br>35.00%                 | IRC Sec. 7872<br>Long Term Rate<br>5.48%** | Promissory Note<br>Interest Rate<br>6.50%                  |  |   |   |
|------|-----|---|--|--|--|--|---|---|
| Year | Age | (1)<br>Policy<br>Premium<br>Due by<br>Executive | (2)<br>Beginning<br>of Year<br>Loan from<br>Employer | (3)<br>Cumulative<br>Loan Due<br>Employer  | (4)<br>Year End<br>Loan<br>Interest<br>Paid to<br>Employer | (5)<br>Year End<br>Bonus<br>Received<br>from<br>Employer | (6)<br>After Tax<br>Bonus<br>Received<br>from<br>Employer | (7)<br>Executive's<br>Net<br>Payment<br>to the<br>Plan* |
| 1    | 45  | 100,000   | 100,000  | 100,000                                    | 6,500  | 10,000   | 6,500   | 0   |
| 2    | 46  | 100,000   | 100,000  | 200,000                                    | 13,000   | 20,000   | 13,000  | 0   |
| 3    | 47  | 100,000   | 100,000  | 300,000                                    | 19,500   | 30,000   | 19,500  | 0   |
| 4    | 48  | 100,000   | 100,000  | 400,000                                    | 26,000   | 40,000   | 26,000  | 0   |
| 5    | 49  | 100,000   | 100,000  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 6    | 50  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 7    | 51  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 8    | 52  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 9    | 53  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 10   | 54  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 11   | 55  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 12   | 56  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 13   | 57  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 14   | 58  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 15   | 59  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 16   | 60  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 17   | 61  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 18   | 62  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 19   | 63  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 20   | 64  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
|      |     | 500,000   | 500,000  |  | 585,000  | 900,000  | 585,000   | 0   |

\*Column (7) = Columns (1) - (2) + (4) - (6)

\*\*As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

## Executive's Net Payment Analysis

### A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

Executive's Page: 2  
03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini  
Contini Brothers, Inc.

|      |     | Male<br>Age<br>45                               | Executive's<br>Tax Bracket<br>35.00%                 | IRC Sec. 7872<br>Long Term Rate<br>5.48%** | Promissory Note<br>Interest Rate<br>6.50%                  |  |   |   |
|------|-----|---|--|--|--|--|---|---|
| Year | Age | (1)<br>Policy<br>Premium<br>Due by<br>Executive | (2)<br>Beginning<br>of Year<br>Loan from<br>Employer | (3)<br>Cumulative<br>Loan Due<br>Employer  | (4)<br>Year End<br>Loan<br>Interest<br>Paid to<br>Employer | (5)<br>Year End<br>Bonus<br>Received<br>from<br>Employer | (6)<br>After Tax<br>Bonus<br>Received<br>from<br>Employer | (7)<br>Executive's<br>Net<br>Payment<br>to the<br>Plan* |
| 21   | 65  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 22   | 66  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 23   | 67  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 24   | 68  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 25   | 69  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 26   | 70  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 27   | 71  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 28   | 72  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 29   | 73  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 30   | 74  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 31   | 75  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 32   | 76  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 33   | 77  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 34   | 78  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 35   | 79  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 36   | 80  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 37   | 81  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 38   | 82  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 39   | 83  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
| 40   | 84  | 0   | 0  | 500,000                                    | 32,500   | 50,000   | 32,500  | 0   |
|      |     | 500,000   | 500,000  |  | 1,235,000  | 1,900,000  | 1,235,000   | 0   |

\*Column (7) = Columns (1) - (2) + (4) - (6)

\*\*As of the date of this illustration. (See accompanying Leveraged Benefit Plan report for remarks regarding IRC Section 7872 interest rates.)

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.



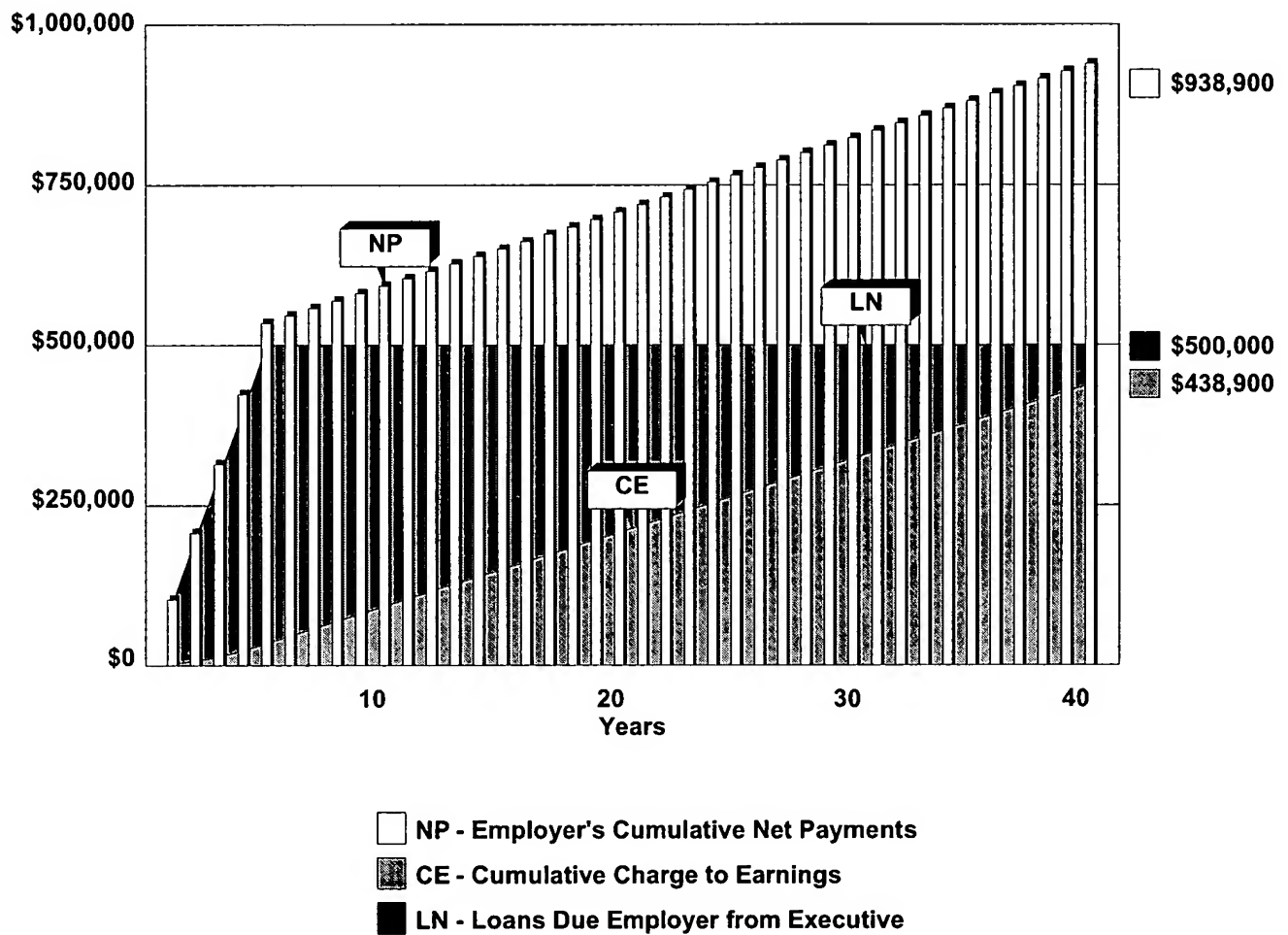
# A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini

## Employer's 40 Year Graphic Analysis



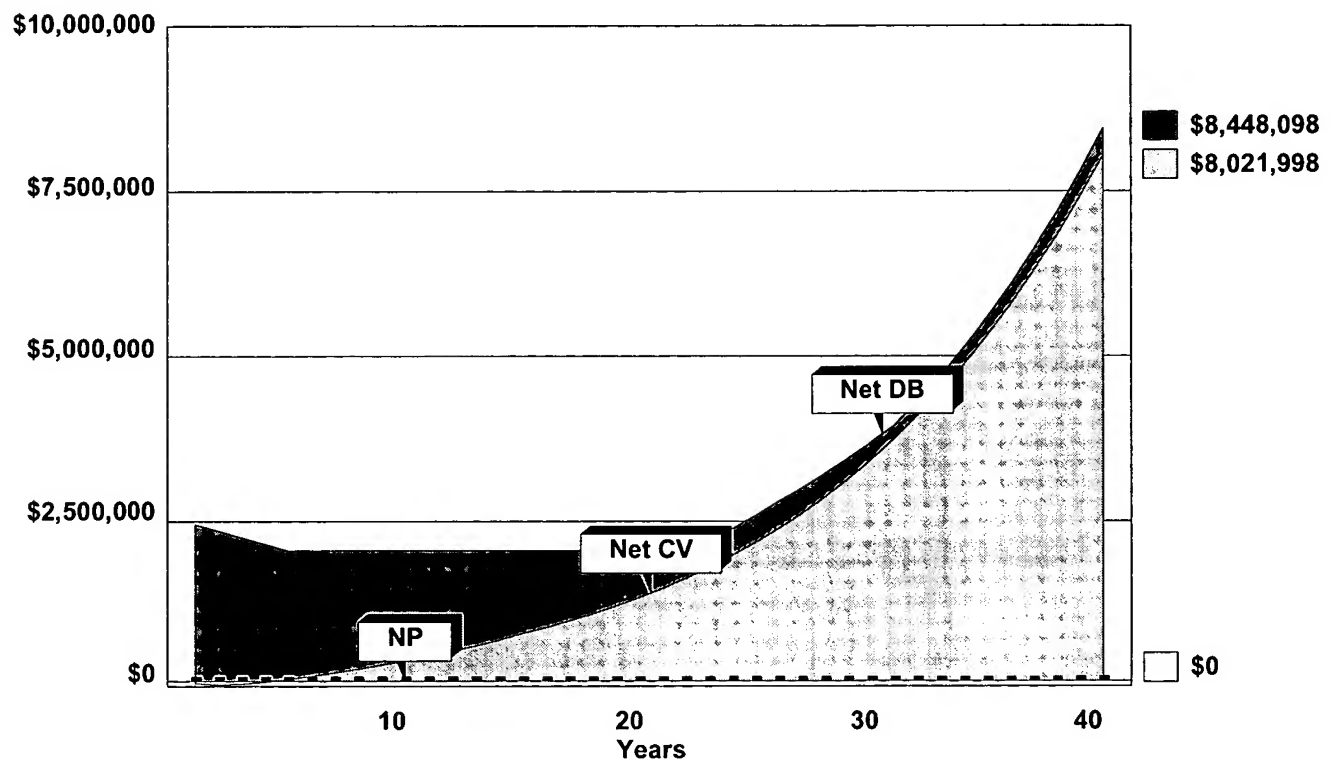
# A Leveraged Benefit Plan (Using Guidelines From IRC Section 7872) Funded With Variable Universal Life (VUL)

03/01/2002

Presented By: [Licensed user's name appears here]

For: Frank Contini

## Executive's 40 Year Graphic Analysis



- NP - Executive's Cumulative Net Payments**
- Net CV - Executive's Cash Value Less Cum. Loan Due Employer**
- Net DB - Executive's Death Benefit Less Cum. Loan Due Employer**